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**FISCAL IMPACT STATEMENT**

**LS 7245**

**BILL NUMBER: SB 564**

**NOTE PREPARED: Feb 11, 2013**

**BILL AMENDED: Feb 11, 2013**

**SUBJECT:** Veterans Preference on State Contracts.

**FIRST AUTHOR:** Sen. Delph

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill has the following provisions:

- (1) Authorizes a state agency to identify a particular purchase of supplies or services as a set-aside for which offers will be accepted only from veteran-owned small businesses verified by the Center of Veterans Enterprise of the United States Department of Veterans Affairs as veteran-owned small business concerns (VOSBs).
- (2) Authorizes the Public Works Division of the Indiana Department of Administration (IDOA) to designate certain public works projects as a set-aside for which offers will be accepted only from VOSBs.
- (3) Provides that a veteran-owned small business may not receive a small business price preference for a purchase designated as a VOSB set-aside.
- (4) Provides that the Indiana Economic Development Corporation (IEDC) may assist a state agency in compiling a list of veteran-owned small businesses, helping veteran-owned small businesses to comply with procedures for bidding on state contracts, helping to determine which purchases of supplies or services should be designated as VOSB set-asides, and simplifying specifications and contract terms to increase opportunities for VOSB participation in state contracts.
- (5) Requires each state agency to set a goal of having veteran-owned small businesses participate in purchases involving at least 5% of the overall dollar amount expended by the state agency each fiscal year for purchases.
- (6) Excuses a state agency from meeting the goal under certain circumstances.
- (7) Beginning in 2014, requires the IDOA to submit to the Governor, the Legislative Council, the Indiana Department of Veterans' Affairs, and the Commission on Military and Veterans Affairs, and to publish online, a report that identifies each state agency that failed to meet the goal in the past fiscal year, states the reason for each failure, and sets forth each agency's plan to meet the goal in the current fiscal year.

(8) Provides for the development of programs to encourage cities, counties, towns, townships, and private businesses to adopt the goal of having veteran-owned small businesses participate in purchases involving at least 5% of the overall dollar amount expended for purchases each fiscal year.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Summary:* This bill could result in increased state contracting costs. Any impact on state contracting costs is indeterminable.

Additionally, this bill could impact the workload of the Indiana Department of Administration and the Indiana Economic Development Corporation. Increases in workload for the IDOA and the IEDC could require additional staffing and resources, depending on how the provisions of the bill are implemented.

**Additional Information:**

(Revised) *Indiana Department of Administration:* Under the bill, each state agency is required to set a goal of at least 5% of the overall dollar amount expended each fiscal year by the state agency for purchases and services to be provided by veteran-owned small businesses. Even though this bill contains certain price protections, the potential still exists for a state agency to select a higher bid submitted by a VOSB that is higher than an otherwise lowest competitive bid as a result of the set-aside program. Any increase in state expenditures is indeterminable.

Additionally, this bill requires the Indiana Department of Administration to adopt rules that would govern the VOSB set-aside program and, starting in 2014, annually report to the Governor, Legislative Council, Indiana Department of Veterans' Affairs, and the Commission on Military and Veterans' Affairs specified information on the VOSB set-aside program.

The provisions of this bill are within the current routine administrative functions of the IDOA; however, the bill presents new responsibilities that must be performed in addition to currently existing workload. The IDOA reports this bill will require a modification to the state's Enterprise system to identify VOSBs that submit requests for proposals (RFPs) on state contracts. If existing staffing and resource levels are currently being used to capacity, the IDOA may require additional funding and resources to implement the provisions of the bill. Any additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

*Indiana Economic Development Corporation:* The bill also allows the IEDC to assist state agencies by doing any of the following:

- (1) Compiling and maintaining a comprehensive list of VOSBs,
- (2) Assisting VOSBs in complying with the procedures for bidding on government contracts,
- (3) Examining requests from state agencies for contracted services and supplies to determine which purchases would be designated VOSB set-asides, and
- (4) Simplifying expectations and contract terms to increase opportunities for VOSBs to participate in the RFP process.

Additionally, the bill allows the IEDC to work in conjunction with the IDOA to develop programs to encourage local government entities and private businesses to adopt goals of contracting with VOSBs.

The IEDC does not currently perform the tasks outlined in the bill for state contracting, but does perform a similar function for small-business set-aside purchases. The IEDC reports that performing the same tasks currently performed with the small-business set-aside program for a VOSB set-aside program would increase administrative workload and require additional staffing and resources. Although the bill allows the IEDC to perform these functions (and does not require them), to the extent the IEDC assists state agencies with contracting with VOSB set-asides, they will experience an increase in administrative workload and may require additional resources. Actual increases in workload will depend on the decision of the IEDC on how to assist state agencies with VOSB set-asides.

*Background Information:* Although the number of VOSBs in the state is unknown, the Indiana Business Research Center reports that in 2007 there were approximately 46,800 veteran-owned businesses and an additional 24,200 partially veteran-owned businesses in the state. The Indiana Business Research Center also reports that 27.2% of Indiana veterans have some type of disability (although it is unknown if these disabilities are service-related or not). This would imply approximately 19,300 veteran-owned and partially veteran-owned businesses may be eligible to submit RFPs under the set-aside program. This figure does not account for (1) service-connected disability and (2) veteran majority ownership of the business.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** This bill could result in increased contracting costs for local governments to the extent local governments implement contracting preference programs for VOSBs with assistance from the IEDC. Actual increases in local expenditures are indeterminable.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** Local government units that work with the IEDC to implement contracting preference program for VOSBs.

**Information Sources:** Connie Smith, IDOA; Eric Shields, IEDC; Indiana Business Research Center at Indiana University Kelley School of Business.

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